

## Request for Celsius Creditors & Borrowers

Dear Honorable Justice Martin Glenn:

Action Requested: Request the bankruptcy court ensure that the cryptocurrency collateral provided by Celsius borrowers is used to pay off their over collateralized Celsius Network loan obligations before client fund amounts are subject to a reduction (“hair cut”) due to Celsius Network’s insolvency.

Everyone is in shock and depression about Celsius Network’s gross negligence, mismanagement, and loss of client funds. Now, we have to move forward to minimize the financial loss and future potential hardship to these mistreated and arguably lied to customers, including borrowers.

I am concerned about how the bankruptcy court will deal with Celsius clients who in good faith took out loans which they significantly over collateralized. The Celsius leadership sold such loans as without risk and in the best interest of the borrower and the broader Celsius community. The bankruptcy proceedings are going to determine how much of a reduction in funds clients are going to suffer, sometimes call a “hair cut.”

In the interest of fairness and to avoid increased financial hardship, I would argue that credit representatives should make the case and the court ensure that Celsius Network first close out all loans based on the current value of the cryptocurrency collateral backing the loans and then implement the appropriate percentage reduction (“hair cut”) on the borrower’s reduced collateral and other clients cryptocurrency holdings.

To cut the borrower’s cryptocurrency held by Celsius as collateral before having this collateral used to payoff their loans would create a new, large, unfair, and probably untenable financial burden on borrowers. For example, assume a client borrowed

\$1,000 putting up cryptocurrency collateral worth \$4,000 at the most conservative 25 percent loan-to-value ratio. Now, please assume the value of the collateral fell by 50%—as actually happened since the beginning of this year—so that the collateral is now worth \$2,000. If you used this reduced collateral value to pay off the \$1,000 loan, the borrower would be left with \$1,000, and if we suppose an 80 percent haircut, the borrower is left with \$200.

This, of course, is quite a loss compared to both the original and current collateral value, but it is nothing compared to the horrible circumstances the borrower faces if the “hair cut” is implemented before closing out the loan. Using the same example, if you reduce the borrower’s \$2,000 collateral by a 80 percent hair cut, the borrower would have \$400 which is significantly less than the \$1,000 loan. As a result, the poor client would actually owe \$600 all because the loan is not closed out before the haircut. Also, please, please note, that this example is using a small loan value for ease of understanding this general principle. The larger the loan the more the borrower would owe i.e. multiply the loan by 10 and the amount owed is multiplied by 10 and the same for 100 or 1,000, etc.

I find such a scenario where a Celsius borrower who through no fault of their own could face a staggering liability, as a result of Celsius leadership’s losing the lion’s share of the borrower’s collateral through incompetence, mismanagement, and perhaps criminal misrepresentation of the risks involved, unacceptable and grossly unfair. Moreover, because many of these clients also had most if not all of their savings in Celsius, I suspect many clients would not have the money to pay. Others in disgust and a feeling of ill-treatment, probably, would refuse to put good money after bad.

In the name of fairness and common decency, no Celsius client, including borrowers who significantly over collateralized their

loans, should have to face a financial liability because the company lost significant amounts of their clients money. All Celsius clients are victims, and they—borrowers and non-borrowers—should not be turned against one another.

Much appreciate your assistance.

Sincerely,

Craig McGarrah III